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SUBJECT: NANJING LEADERSHIP SEEKS CLOSER U.S. TIES

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¶1. (SBU) Summary. During the Consul General's July 30 visit to Nanjing, Mayor Jiang Hongkun and Vice Mayor Jin Daoqiang pushed for an increased U.S. commercial and diplomatic presence in Nanjing. A U.S. Consulate in Nanjing would be useful in deepening cultural and economic ties said Mayor Jiang. According to Vice Mayor Jin, although the weak U.S. economy has affected Nanjing's economy, the overall economy remains stable. Vice Mayor Jin emphasized that the Nanjing Government understands the importance of IPR protection, rule of law and good governance to maintaining a good business environment and is committed to making improvements in these areas. Jin said the government is increasingly focused on three criteria when it evaluates local leaders: the state of the environment, people's livelihood, and grassroots assessments of performance. End Summary.

U.S. Companies Welcomed

¶2. (U) The Consul General paid a farewell call on Nanjing Mayor Jiang Hongkun on July 30. Jiang thanked the Consul General for his efforts to bolster Nanjing's economic and cultural connections to the United States. Commenting on his May trip to the United States, Jiang said he visited Seattle, Dallas, and sister city St. Louis. He expressed a keen interest in establishing direct passenger and cargo flights from the United States to Nanjing, but realized that civil links are a matter handled by Beijing.

U.S. Consulate in Nanjing Welcomed

¶3. (U) Mayor Jiang urged that the USG establish a Consulate in Nanjing as soon as possible. Nanjing has strong cultural and economic ties to the United States and a Consulate would help strengthen these ties. The Consul General noted that the United States also wanted to strengthen ties with Nanjing, and toward that end, in March had established a Virtual Presence Post (VPP) in Nanjing. During the subsequent lunch with Vice Mayor Jin, the CG provided examples of material on the VPP.

Nanjing Feels U.S. Economic Pain

¶4. (SBU) Following the meeting with Mayor Jiang, Vice Mayor Jin Daoqing hosted a lunch. According to Jin, Nanjing's economy is suffering from the economic downturn in the United States. Exports to the United States were down 15 percent during the first half of 2008. Before the downturn, Nanjing's exports to the United States had been increasing by 30 to 40 percent. Jin complained that the RMB has appreciated too quickly and expressed relief over recent indications that the RMB's rise might slow down in the months to come.

¶5. (SBU) Vice Mayor Jin added, however, that Nanjing's economy remains stable and continues to grow, albeit at a slower pace. There has been no big increase in bankruptcies and unemployment, as officially defined, remains at four percent. Businesses have been forced to be very flexible in order to cope with current economic conditions. For example, companies have negotiated contracts that allow them some room for maneuver. Some will fix prices to a certain exchange rate or renegotiate contracts. There has also been a shift to the euro for denominating contracts.

Energy Shortages & Wen Jiabao Visit

¶6. (SBU) Vice Mayor Jin said that Nanjing has recently suffered from energy shortages. According to Jin, this is not due to a shortage of capacity. The problem is an incoherent pricing mechanism. For example, Jin noted the rising cost of coal but the relative low price for electricity. Thus, some producers preferred to produce less energy since they could only produce at a loss. Asked about the recent Jiangsu visit by Premier Wen Jiabao, Vice Mayor Jin offered few specifics. In terms of Beijing's expectations, he said the Central Government's chief economic goals are to avoid overheating and inflation. Given

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the global economic weakness, there was a push to increase domestic consumption.

A Good Business Environment

¶7. (U) Vice Mayor Jin talked positively about U.S. companies, noting that many big U.S. firms such as AIG, Emerson, and McDonalds operated successfully in Nanjing. The Nanjing Government understands the importance of developing a good business environment and has made efforts to strengthen IPR protection, improve rule of law and develop good governance. He noted that Nanjing has its own IPR White Paper. When asked about food and product safety, Vice Mayor Jin acknowledged recent problems in these areas, but said this was an inevitable part of a country's development. The United States went through a similar stage thirty years ago, he said. Nanjing would like to learn more about the U.S. experience as it works to fix problems in this area. The city is committed to developing a good business environment and welcomes further cooperation from the United States in these areas.

Assessing Nanjing's Leaders

¶8. (SBU) According to Vice Mayor Jin, Jiangsu province uses a battery of 28 criteria to assess local leaders. In terms of general areas of emphasis, the three most critical overall areas are the state of the environment, people's livelihood, and grassroots assessments of local leaders. Jin said the municipal government hires outside specialists to conduct polls, and indeed, a look at the Nanjing Municipal Government website had the results of a 2007 poll in which local citizens were asked to evaluate 30 government agencies. (See www.nj.gov.cn/other/test/dcwj/dcwj.htm.) Vice Mayor Jin added that staff also provide input about the performance of their supervisors.

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